

Message Text

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PAGE 01 ZURICH 00090 081141Z

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TAGS: EFIN, OVIP, (LEUTWILER, DR. FRITZ), SZ

SUBJ: FORTHCOMING VISIT TO WASHINGTON OF SWISS NATIONAL

BANK PRESIDENT - POSSIBLE DISCUSSION TOPICS

REF: ZURICH 0089

FROM MARCH 4 CONVERSATION WITH SWISS NATIONAL BANK PRESIDENT FRITZ LEUTWILER, I GATHER THAT THE FOLLOWING TOPICS ARE VERY MUCH ON HIS MIND NOW AND THAT HE IS LIKELY TO RAISE THEM DURING HIS DISCUSSIONS IN WASHINGTON MARCH 17-21 WITH UNDERSECRETARY OF STATE COOPER, UNDERSECRETARY OF TREASURY SOLOMON AND ASSISTANT SECRETARY OF TREASURY BERGSTEN. LEUTWILER STRESSED TO ME THAT HE IS NOT EXPECTING DEFINITIVE DISCUSSIONS DURING THIS VISIT TO WASHINGTON BUT HOPES TO GET A FEEL FOR TRENDS OF THE NEW ADMINISTRATION'S THINKING ON INTERNATIONAL MONETARY ISSUES.

A. THE FUTURE ROLE OF THE U.S. DOLLAR AS A RESERVE CURRENCY: THIS SUBJECT WOULD ALSO INCLUDE ANTICIPATED FUTURE ROLE OF GOLD AND SDR'S AS WELL AS THE LIKELIHOOD
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PAGE 02 ZURICH 00090 081141Z

THAT OTHER STRONG CURRENCIES SUCH AS THE DM AND SFR MIGHT TAKE OVER INCREASING ROLES AS RESERVE CURRENCIES

(COMMENT) LEUTWILER IS NOT A GOLD BUG BUT IN THE PAST HAS EXPRESSED SKEPTICISM ABOUT EFFORTS TO DEMONETIZE GOLD ENTIRELY. CONCERNING SDR'S HE IS ALSO SOMEWHAT SKEPTICAL BUT OPEN-MINDED.

LEUTWILER IS NOT INTERESTED IN ENCOURAGING THE USE OF THE SWISS FRANC AS A RESERVE, BUT HE IS REALISTIC AND KNOWS THAT THE STRENGTH AND STABILITY OF THE FRANC MAKE IT LOOK ATTRACTIVE TO FOREIGN AUTHORITIES AS A POSSIBLE RESERVE CURRENCY

B. ATTITUDE TOWARD FLOATING: THIS TOPIC WOULD INCLUDE CONSIDERATION OF WHETHER THE FLOAT SHOULD BE CLEAN AND INFLUENCED ONLY BY MARKET FACTORS OR WHETHER THERE SHOULD BE COORDINATION AMONG STRONG CURRENCY COUNTRIES ON ACTIONS WHICH MIGHT EFFECT THE VALUE OF CURRENCIES. COORDINATION, IN THIS SENSE, WOULD REFER BOTH TO COORDINATED INTERVENTION IN THE FOREIGN EXCHANGE MARKET AND COORDINATION OF NATIONAL ECONOMIC POLICIES AND ACTIONS.

(COMMENT) LEUTWILER IS ATTRACTED TO THE IDEA OF COORDINATION AMONG STRONG CURRENCY COUNTRIES. HE IS NOT THINKING OF ANYTHING AS AMBITIOUS AS AN INSTITUTIONALIZED BODY FOR COORDINATION BUT FEELS THAT CLOSER COOPERATION AMONG COUNTRIES WITH SIMILAR IDEAS ABOUT STABILITY, INFLATION ETC., WITHIN THE FRAMEWORK OF FLOATING RATES, IS DESIRABLE.

C. CURRENT AND SHORT TERM THREATS TO THE INTERNATIONAL BANKING SYSTEM:
THIS SUBJECT WOULD INCLUDE THE QUESTIONS OF BALANCE OF LIMITED OFFICIAL USE

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PAGE 03 ZURICH 00090 081141Z

PAYMENT DISEQUILIBRIUMS AND THE HIGH LEVEL OF INDEBTEDNESS AMONG THE INDUSTRIAL COUNTRIES, LDC'S, AND EASTERN EUROPEAN COUNTRIES. LEUTWILER IS INTERESTED IN PROBING US ATTITUDES ON THE ADVISABILITY OF GOVERNMENT AUTHORITIES OFFICIALLY CONCERNING THEMSELVES WITH THESE QUESTIONS AS AGAINST PERMITTING COMMERCIAL BANKS TO RETAIN COMPLETE DISCRETION TO EXTEND CREDITS AS THEY SEE FIT.

(COMMENT) LEUTWILER IS CONCERNED OVER PRESENT LEVELS OF INDEBTEDNESS BUT BELIEVES THAT THE BANKING SYSTEM CAN HANDLE THE SITUATION. HE IS, HOWEVER, GENERALLY IN FAVOR OF CENTRAL BANKS' AND GOVERNMENT ECONOMIC AUTHORITIES' EXCHANGING INFORMATION AND OPINIONS IN THIS AREA. I BELIEVE HE IS INCLINED TO LEAVE SPECIFIC DECISIONS ON LEVELS OF LENDING, CREDIT CEILINGS ETC., TO THE DISCRETION OF THE COMMERCIAL BANKS.

D. THE ROLE OF OPEC COUNTRIES IN FUTURE MONETARY RELATIONS:

THIS TOPIC WOULD INCLUDE SUGGESTIONS THAT OPEC COUNTRIES WITH LARGE SURPLUSES DIVERSIFY THEIR RESERVES, LAID DEFICIT COUNTRIES IN FINANCING DEFICITS AND, IN GENERAL, PARTICIPATE TO A GREATER EXTENT IN MONETARY RELATIONS WITH THE WESTERN INDUSTRIAL COUNTRIES.

(COMMENT) LEUTWILER RECENTLY VISITED SAUDI ARABIA WHERE HE HAD EXTENSIVE DISCUSSIONS WITH MONETARY AUTHORITIES. (FED AND THE BUNDESBANK WERE CONSULTED BEFORE HIS VISIT AND BRIEFED FOLLOWING HIS RETURN). HE BELIEVES THE TALKS WERE VALUABLE AND PROMISING. HE BELIEVES IT WILL BE ESSENTIAL TO FIND WAYS OF BRINGING COUNTRIES SUCH AS SAUDI ARABIA, KUWAIT, ETC. LIMITED OFFICIAL USE

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PAGE 04 ZURICH 00090 081141Z

INTO CLOSER COOPERATION WITH THE INDUSTRIAL NATIONS ON MONETARY MATTERS.
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